

Legislative Fiscal Bureau

Fiscal Note

HF 689 - Ethanol Tax Credits (LSB 2364 HV)

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Fiscal Note Version — New

Requested by: Representative Geri Huser

Description

House File 689 relates to the Ethanol Blended Gasoline Tax Credit created by the 2000 General Assembly (see SF 716 or Chapter 123, 2001 Iowa Acts). The 2001 Act provided an income tax credit equal to 2.5 cents per gallon for ethanol gallons sold at retail after a threshold of 60.0% ethanol gallons was achieved. The credit was first available for gallons sold on or after January 1, 2002. The 2001 Act specified that a taxpayer would not begin to receive tax credits until the start of their particular tax year. For instance, a corporate taxpayer with a fiscal year starting March 1 does not receive tax credits for qualified gallons sold from January 1 through February 28, 2002. Gallons sold March 1 or after would qualify.

House File 689 would allow tax credits to be earned for qualified gallons sold during calendar year 2002 up to the start of the taxpayer's fiscal year.

Background

The fiscal note associated with SF 716 assumed that all gallons sold on or after January 1, 2002, and above the 60.0% threshold would qualify for the 2.5 cent tax credit. This assumption was not correct for corporate taxpayers with a tax year starting other than January 1. The projected fiscal impact of SF 716 was \$500,000 in FY 2003 and \$1.3 million in FY 2004.

Assumptions

1. Of the \$500,000 projected FY 2003 fiscal impact of SF 716, 9.0% will be denied or unclaimed due to the taxpayer's tax year start date.
2. House File 689 will allow taxpayers to claim refunds for those calendar year 2002 gallons not allowed under the original 2001 Act.

Fiscal Impact

The tax credit provisions in HF 689 will decrease projected General Fund net revenues by approximately \$45,000 in FY 2004. Future fiscal years will not be impacted.

Sources

Fiscal Note for SF 716, 2001 Session
Petroleum Marketers of Iowa

/s/ Dennis C Prouty

April 24, 2003

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.
